

ORIGINAL

OPEN MEETING ITEM

COMMISSIONERS
KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP



0000094233

Interim Executive Director

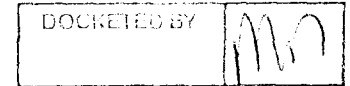
ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

MAR - 3 2009

DATE: MARCH 3, 2009
DOCKET NO: W-03875A-08-0421
TO ALL PARTIES:



Enclosed please find the recommendation of Administrative Law Judge Sarah Harpring. The recommendation has been filed in the form of an Order on:

MOUNTAIN GLEN WATER SERVICE
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

MARCH 12, 2009

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

MARCH 31, 2009 and APRIL 1, 2009

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 KRISTIN K. MAYES, Chairman
4 GARY PIERCE
5 PAUL NEWMAN
6 SANDRA D. KENNEDY
7 BOB STUMP

8 IN THE MATTER OF THE APPLICATION OF
9 MOUNTAIN GLEN WATER SERVICE, INC.
10 FOR A PERMANENT RATE INCREASE.

DOCKET NO. W-03875A-08-0421

DECISION NO. _____

11 **ORDER**

12 Open Meeting
13 March 31 and April 1, 2009
14 Phoenix, Arizona

15 **BY THE COMMISSION:**

16 This case involves an application for a permanent rate increase filed with the Arizona
17 Corporation Commission ("Commission") on August 8, 2008, by Mountain Glen Water Service, Inc.
18 ("Mountain Glen"), which the Commission's Utilities Division Staff ("Staff") has classified as a
19 Class D Water Utility.

20 * * * * *

21 Having considered the entire record herein and being fully advised in the premises, the
22 Commission finds, concludes, and orders that:

23 **FINDINGS OF FACT**

24 1. Mountain Glen is an Arizona corporation providing water utility service, pursuant to
25 authority granted by the Commission, to approximately 377 customers through four independent
26 water systems in four communities north and northwest of Show Low in Navajo County: Linden
27 Trails, Pinedale, Clay Springs, and Linden East and West ("Linden").

28 2. Mountain Glen's present rates and charges for water utility service were approved in
Decision No. 67163 (August 10, 2004), in a consolidated docket that also dealt with financing for a
Water Infrastructure Finance Authority of Arizona ("WIFA") loan to fund Mountain Glen's arsenic

1 treatment plan. Decision No. 67163 approved Staff's recommended rates; approved the financing
2 application for the WIFA loan; approved a Staff-proposed arsenic surcharge tariff methodology;
3 required Mountain Glen to submit an amended financing application and a tariff to implement the
4 arsenic surcharge within 30 days after Mountain Glen closed on the WIFA loan; and required
5 Mountain Glen to file a new ratemaking application, addressing necessary and appropriate
6 ratemaking treatment for arsenic treatment facilities, by August 10, 2008. Decision No. 68446
7 (February 2, 2006), in the same docket, approved Mountain Glen's amended financing application
8 and an arsenic removal surcharge of \$4.82 per customer per month and reiterated the requirement for
9 Mountain Glen to file a new ratemaking application by August 10, 2008.

10 3. Mountain Glen filed its ratemaking application in this docket on August 8, 2008,
11 stating that the application satisfies the filing requirements of Decision Nos. 67163 and 68446. In its
12 application, Mountain Glen proposed an increase in revenues of \$21,636, approximately 10 percent
13 of its stated 2007 Test Year ("TY") total operating revenues of \$216,364, to bring its revenues to
14 \$238,000. Mountain Glen also proposed elimination of the separate arsenic removal surcharge of
15 \$4.82 per month and stated that it had incorporated that amount into its general rate structure.
16 Mountain Glen reported TY total operating expenses of \$208,333, resulting in operating income of
17 \$8,031; a 16.90 percent rate of return on its proposed original cost rate base ("OCRB") of \$47,517;
18 and a 3.71 percent operating margin.

19 4. In its application, Mountain Glen included an Affidavit stating that public notice of the
20 ratemaking application had been sent to each active customer of Mountain Glen by U.S. Mail on
21 August 8, 2008.

22 5. On August 18 and 19, 2008, Staff's Consumer Services Section received two opinions
23 opposed to Mountain Glen's requested rate increase, both from customers indicating that the
24 proposed increase is too high.

25 6. On August 27, 2008, Mountain Glen filed a proposed Cross-Connection/Backflow
26 Tariff.

27 7. On September 5, 2008, Staff issued a Letter of Deficiency.

28 8. On September 8, 2008, Mountain Glen filed Arizona Department of Environmental

1 Quality ("ADEQ") Drinking Water Compliance Status Reports ("ADEQ Status Reports"), dated
2 August 28, 2008, for Mountain Glen's four water systems. The ADEQ Status Reports for the
3 Pinedale, Clay Springs, and Linden Trails water systems showed that those systems had no major
4 deficiencies and were delivering water meeting the water quality standards required by Arizona
5 Administrative Code ("A.A.C.") Title 18, Chapter 4 ("18 A.A.C. 4"). The ADEQ Status Report for
6 the Linden system showed that Linden had major deficiencies overall and as to monitoring and
7 reporting because of an ongoing arsenic compliance issue and that ADEQ was thus unable to
8 determine whether the Linden system was delivering water meeting the water quality standards
9 required by 18 A.A.C. 4. Along with the ADEQ Status Reports, Mountain Glen provided two ADEQ
10 Drinking Water Inorganic Chemical Analysis Reports showing that samples from the Linden system
11 taken in May 2008 and July 2008 had been tested for arsenic and had test results at and below the
12 arsenic maximum contaminant level ("MCL").¹ The cover letter accompanying the reports stated that
13 the test results had been provided to ADEQ, but that ADEQ had not yet updated its system to reflect
14 them.

15 9. On September 23, 2008, Mountain Glen provided responses to Staff's Letter of
16 Deficiency. With its responses, Mountain Glen provided Arizona Department of Water Resources
17 ("ADWR") Water Provider Compliance Status Reports ("ADWR Status Reports") showing that none
18 of the Mountain Glen Water systems are located within Active Management Areas and that all of
19 them are in compliance with all applicable ADWR requirements.

20 10. On October 7, 2008, Staff issued a Letter of Sufficiency, classifying Mountain Glen as
21 a Class D water utility.

22 11. On December 19, 2008, Mountain Glen filed revised rate schedules for service line
23 and meter installation charges, adding a late payment penalty charge, but otherwise retaining its prior
24 proposed charges.

25 12. On December 22, 2008, Staff filed its Staff Report recommending approval of the
26 application using Staff's recommended rates and charges. In the Staff Report, Staff adjusted TY total
27

28 ¹ The U.S. Environmental Protection Agency has reduced the arsenic MCL in drinking water from 50 parts per billion ("ppb") to 10 ppb. The test results were 10 ppb in May and 9.3 ppb in July.

1 operating revenues to \$186,184 and total operating expenses to \$152,707, resulting in TY operating
2 income of \$33,477; a rate of return of 57.57 percent on the Staff-adjusted OCRB of \$58,148; and a
3 17.98 percent operating margin. The rate design recommended in the Staff Report retained Mountain
4 Glen's current monthly usage charges and commodity rates, increased service line and meter
5 installation charges and service charges, and eliminated the arsenic removal surcharge. In the
6 Engineering Report portion of the Staff Report, Staff stated that Clay Springs and Pinedale each need
7 to add 2,500 gallons of storage capacity. Staff stated that Clay Springs has production and storage
8 capacity enough to serve up to 14 connections, but is serving 20 connections, and that Pinedale has
9 production and storage capacity enough to serve up to 8 connections, but is serving 16 connections.
10 Staff stated that Linden and Linden Trails have adequate production and storage capacity for the next
11 five years based on water use data for the TY.

12 13. On January 2, 2009, Mountain Glen filed comments to the Staff Report, asserting that
13 Staff's recommended rates and charges would result in a decrease of more than \$30,000 to Mountain
14 Glen's annual revenue because of the elimination of the arsenic removal surcharge. Mountain Glen
15 proposed that its repairs and maintenance ("R&M") expenses be increased by \$16,951, to \$24,534, to
16 reflect increased costs in this area due to Mountain Glen's having entered into a management contract
17 with Ferrell Utility Management ("FUM") early in 2008 and thus no longer having any employees to
18 perform these tasks; that its metered water revenue be increased by \$21,558, to \$204,257; and that its
19 income tax expenses be increased by \$993, to \$9,072, to adjust for the other changes. Mountain Glen
20 also included a revised schedule of monthly usage charges and commodity rates, which included rates
21 reduced from those proposed in the application, but still higher than those recommended by Staff in
22 the Staff Report. Mountain Glen did not object to Staff's recommendations regarding replacement of
23 the existing storage tanks for Clay Springs and Pinedale.

24 14. On January 5, 2009, a Procedural Order was issued requiring Mountain Glen to file, by
25 January 20, 2009, documentation supporting the post-TY 2008 R&M expenses, justifying the use of
26 those expenses now, and justifying the proposed increases in metered water revenues and income tax
27 expenses. The Procedural Order also required Staff to file, by February 3, 2009, an analysis of
28 Mountain's Glen's comments to the Staff Report and the additional information to be filed by

Mountain Glen as required by the Procedural Order. Finally, the Procedural Order extended the Commission's time frame for issuing a decision in this matter by 29 days.

15. On January 20, 2009, Mountain Glen filed a letter, along with a schedule and invoices and sales receipts, supporting post-TY 2008 R&M expenses of \$24,187.75. Mountain Glen stated in the letter that use of the post-TY 2008 R&M expenses is justified now because Staff has recommended adjusting Mountain Glen's TY expenses to reflect post-TY 2008 expenses, which are different due to the management contract with FUM. Mountain Glen stated that using the 2008 R&M expenses will appropriately match R&M expenses with other 2008 expenses that Staff has recommended using. Mountain Glen stated that the proposed increases in metered water revenue and income tax expenses are necessary to maintain the operating margin of 17.98 percent recommended in the Staff Report.

16. On February 3, 2009, Staff filed its responses to Mountain Glen's January 2009 filings. In its filing, Staff recommended that Mountain Glen's R&M expenses be increased by \$16,605, to \$24,188; that Mountain Glen's OCRB be increased to \$60,223; and that Mountain Glen's revenue be increased by \$11,836, or 6.36 percent, over its adjusted TY revenue of \$186,184. Staff included a revised rate schedule that would increase monthly usage charges and commodity rates to realize the increase in revenues. On February 18 and 19, 2009, Staff filed Notices of Errata correcting several of the figures in its rate design.

17. By the end of the test year ended December 31, 2007, Mountain Glen was serving 377 metered customers, the vast majority of whom are served by 5/8" x 3/4" meters, one of whom is served by a 1" meter, and one of whom is served by a 2" meter. The system is also set up to serve 17 standard fire hydrants.

18. Average and median water usage by residential users during the test year were 6,314 gallons and 3,957 gallons of water per month, respectively.

19. The water rates and charges for Mountain Glen at present, as proposed in the rate application and its subsequent filings, and as recommended by Staff in the Staff Report and its subsequent filings, are as follows:

...

<u>MONTHLY USAGE CHARGE:</u>	<u>Present Rates</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>
5/8" x 3/4" Meter	\$ 20.25	\$ 24.00	\$ 21.65
3/4" Meter	30.38	36.00	32.48
1" Meter	50.63	60.00	54.13
1 1/2" Meter	101.25	120.00	108.24
2" Meter	162.00	192.00	173.19
3" Meter	303.75	384.00	346.40
4" Meter	506.25	600.00	541.25
6" Meter	1,012.50	1,200.00	1,082.44
All meter sizes—arsenic removal surcharge	4.82	0	0

Commodity Rates (Per 1,000 Gallons)**All Meter Sizes**

Up to 5,000 Gallons	\$2.70	\$2.70	\$2.88
5,001 to 20,000 Gallons	3.30	3.55	3.52
Over 20,000 Gallons	3.80	4.75	4.06

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable pursuant to A.A.C. R14-2-405)

	<u>Present Rates</u>	<u>Staff & Company Service Line Charge</u>	<u>Staff & Company Meter Installation</u>	<u>Staff & Company Total</u>
5/8" x 3/4" Meter	\$ 550.00	\$ 430.00	\$ 130.00	\$ 560.00
3/4" Meter	580.00	430.00	230.00	660.00
1" Meter	675.00	480.00	290.00	770.00
1 1/2" Meter	710.00	535.00	500.00	1,035.00
2" Turbine Meter	1,110.00	815.00	1,020.00	1,835.00
2" Compound Meter	N/A	815.00	1,865.00	2,680.00
3" Turbine Meter	1,490.00	1,030.00	1,645.00	2,675.00
3" Compound Meter	N/A	1,150.00	2,520.00	3,670.00
4" Turbine Meter	2,295.00	1,460.00	2,620.00	4,080.00
4" Compound Meter	N/A	1,640.00	3,595.00	5,235.00
6" Turbine Meter	4,305.00	2,180.00	4,975.00	7,155.00
6" Compound Meter	N/A	2,300.00	6,870.00	9,170.00

SERVICE CHARGES:

	<u>Present Rates</u>	<u>Staff & Company</u>
Establishment	\$30.00	\$35.00
Establishment (After Hours)	45.00	45.00
Reconnection (Delinquent)	35.00	40.00
Reconnection (Delinquent) After Hours	45.00	50.00
Meter Test (If Correct)	40.00	40.00

1	Deposit	*	*
2	Deposit Interest	*	*
3	Reestablishment (Within 12 Months)	**	**
4	NSF Check	\$15.00	\$25.00
5	Deferred Payment (Per Month)	1.50%	1.50%
6	Meter Re-Read (If Correct)	\$15.00	\$20.00
7	Late Payment (Per Month)	N/A	1.50%
8	Main Extension	Cost	Cost
9	* Per Commission rule (R14-2-403(B)).		
10	** Months off system times the monthly minimum (R14-2-403(D)).		

20. Staff determined Mountain Glen's OCRB to be \$60,223. This is a \$12,706 increase to Mountain Glen's proposed OCRB of \$47,517, resulting from Staff's inclusion of \$14,677 in cash working capital based on the formula method, Staff's disallowance of \$2,190 in plant in service representing Mountain Glen's overpayment for a used truck purchased in an other-than-arms-length transaction, and a resulting \$219 decrease in accumulated depreciation. Staff's proposed adjustments to rate base are reasonable, and we will adopt Staff's OCRB.

21. Mountain Glen expressly waived use of reconstruction cost new rate base to determine its fair value rate base ("FVRB"). We find that Mountain Glen's FVRB is equal to its OCRB of \$60,223.

22. According to the Staff Report, Mountain Glen entered into the contract with FUM for management and overhead services on January 22, 2008, and the contract went into effect in February 2008. Staff reviewed both the contract itself and the billings thus far and had Mountain Glen identify which expense categories are now included in the management contract.² Under the contract, FUM charges a management fee of \$16 per connection per month, which Staff found to be reasonable based on other water systems.³ Staff found that the expenses related to the management contract are known and measurable and provide a good basis for determining Mountain Glen's expenses going forward. We agree with Staff's determination, as the going-forward expenses have been substantially changed as a result of the new management contract.

² Mountain Glen stated in its January 2, 2009, filing that it is saving \$128,246 in expenses and incurring new expenses of \$90,065 as a result of the FUM management contract, resulting in a net savings of \$38,181 annually. The savings are in the expense categories of salaries and wages, office supplies and expenses, rents, workers compensation insurance, and payroll taxes. The new expenses are in outside services and R&M.

³ In Decision No. 70562 (October 23, 2008), the Commission allowed a management contract expense of \$26 per customer per month, consistent with Decision No. 69574 (May 21, 2007).

23. Staff recommended numerous adjustments to Mountain Glen's TY total operating expenses, resulting in an overall decrease of \$42,495. Most of these adjustments were made to recognize the changes resulting from the management contract. The adjustments to operating expenses include eliminating the entire salaries and wages expense of \$91,742; increasing R&M expenses by \$16,605 to bring the total to the 2008 amount of \$24,188; decreasing office supplies and expense expenses by \$8,448; increasing outside services expenses by \$68,746 to include the new FUM contract expense, estimated at \$73,114,⁴ and to disallow legal expenses from a one-time sales transaction and accounting expenses for services provided in 2006; eliminating the entire rents expense of \$15,944 because Mountain Glen no longer pays rent for office or storage space and does not intend to do so in the future; eliminating the entire transportation expense of \$3,626 because Mountain Glen no longer has employees; decreasing the insurance expense by \$4,475 because Mountain Glen no longer needs to pay for workers compensation insurance; eliminating \$1,085 in miscellaneous expense to disallow Internal Revenue Service penalties on payroll form violations, a one-time employee medical expense, and business meeting expenses because the company no longer has employees; increasing water testing expenses to reflect Engineering Staff's recommendation; increasing rate case expense to normalize the expense over three years rather than four; decreasing depreciation as a result of Staff's adjustment to plant in service; and increasing income tax expense to correspond to Staff's determination of Mountain Glen's taxable income. Staff's adjustments to Mountain Glen's TY operating expenses are reasonable and will be adopted.

24. Staff recommended a decrease of \$30,180 in Mountain Glen's total operating revenue for the TY through a disallowance of the entire amount collected for the arsenic removal surcharge. This is consistent with Mountain Glen's statement in its application that it desires to discontinue the arsenic removal surcharge. As a result, Staff determined that Mountain Glen's present water rates and charges produced TY total operating revenue of \$186,184. With Staff's adjusted total operating expenses of \$165,838, Mountain Glen's TY operating income was \$20,346; its operating margin was 10.93 percent; and its rate of return was 33.78 percent.

⁴ This figure was reached based on 10 months of billings at an average cost of \$6,093 per month.

1 25. The water rates and charges Mountain Glen proposes would produce total operating
2 revenue of \$207,742 and total operating expenses of \$170,651, resulting in operating income of
3 \$37,091, a 17.85 percent operating margin, and a rate of return on FVRB⁵ of 61.59 percent.

4 26. The water rates and charges Staff recommends would produce total operating revenue
5 of \$198,020 and total operating expenses of \$168,315, resulting in operating income of \$29,705, a
6 15.00 percent operating margin, and a rate of return on FVRB of 49.33 percent.

7 27. Mountain Glen's proposed rates would increase the average monthly customer water
8 bill by \$9.49, or 24.92 percent, from \$38.08 to \$47.57, and the median monthly customer water bill
9 by \$8.24, or 26.64 percent, from \$30.93 to \$39.17.

10 28. Staff's recommended rates would increase the average monthly customer water bill by
11 \$2.59, or 6.80 percent, from \$38.08 to \$40.67, and the median monthly customer water bill by \$2.12,
12 or 6.85 percent, from \$30.93 to \$33.05.

13 29. Staff recommends approval of Staff's recommended rates and charges and further
14 recommends the following:

15 (a) That, in addition to collecting its regular rates and charges, Mountain Glen be
16 permitted to collect from its customers a proportionate share of any privilege, sales, or use tax
17 as provided for in A.A.C. R14-2-409(D);

18 (b) That Mountain Glen be required to file with Docket Control, as a compliance
19 item in this docket, within 30 days after the issuance of a Decision in this matter, a schedule
20 of its approved rates and charges;

21 (c) That Mountain Glen be ordered to assess charges to customers only for items
22 included in its Commission-authorized tariff;

23 (d) That Mountain Glen be required to install for Clay Springs, within one year
24 after the effective date of a Decision in this matter, a storage tank with a minimum storage
25 capacity of 10,000 gallons, to replace the existing 7,500 gallon storage tank;

26 (e) That Mountain Glen be required to file, within 18 months after the effective
27

28 ⁵ We use the FVRB of \$60,223 recommended by Staff and adopted herein.

1 date of a Decision in this matter, as a compliance item in this docket, a copy of the Approval
2 of Construction ("AOC") issued by ADEQ for the Clay Springs storage facility;

3 (f) That Mount Glen be required to install for Pinedale, within one year after the
4 effective date of a Decision in this matter, a storage tank with a minimum storage capacity of
5 5,000 gallons to replace the existing 2,500 gallon storage tank;

6 (g) That Mountain Glen be required to file, within 18 months after the effective
7 date of a Decision in this matter, as a compliance item in this docket, a copy of the AOC
8 issued by ADEQ for the Pinedale storage facility; and

9 (h) That Mountain Glen be ordered to use, on a going-forward basis, the
10 depreciation rates delineated in Table B of the Engineering Report portion of the Staff Report.

11 30. According to Staff, non-account water should be 10 percent or less and never more
12 than 15 percent. For the TY, Mountain Glen reported 30,475,000 gallons pumped and 29,561,000
13 gallons sold, resulting in a water loss of approximately 3.0 percent overall, well within acceptable
14 limits.⁶

15 31. Staff stated that the estimated cost for a new 10,000 gallon storage tank for Clay
16 Springs, based on an estimate provided by Core-Rosion Products, would be approximately \$35,000.
17 Staff stated that the estimated cost for a new 5,000 gallon storage tank for Pinedale, based on
18 information provided by Mountain Glen, would be approximately \$22,400. Staff found that these
19 costs are reasonable and appropriate, but stated that Staff has not made any used and useful
20 determination regarding the proposed plant-in-service and that no conclusions should be inferred for
21 future ratemaking or rate base purposes. Staff further stated that Staff's recommended rates and
22 charges would easily support debt service if Mountain Glen chooses to finance the tanks through a
23 WIFA loan.⁷

24 32. Mountain Glen anticipates minimal growth within the next five years, perhaps two
25

26 ⁶ We recognize that this number would have been higher if Pinedale had not had a meter malfunction during the TY that
27 caused its gallons sold to exceed its gallons pumped by 21,000 gallons. Staff reported that Pinedale's water loss in 2006
28 was 8.5 percent. Because this is still within acceptable limits, and because Pinedale is only a small portion (16 customers
or approximately 4.24 percent) of Mountain Glen's overall system, we are confident that the actual overall water loss for
Mountain Glen for the TY is well within acceptable limits.

⁷ We remind Mountain Glen that any such loan would need to be approved by the Commission.

1 new connections per year in Linden, perhaps three new connections per year in Linden Trails, and no
2 new connections in Clay Springs and Pinedale.

3 33. Staff's Compliance Section showed no delinquent compliance items for Mountain
4 Glen.

5 34. A review of Staff's Consumer Services Section database for the period from January
6 1, 2005, through October 24, 2008, revealed that, in addition to the two opinions filed in opposition to
7 the rate increase requested in this matter, there were three complaints in 2005 (two regarding billing
8 and one regarding quality of service) and one rate and tariff inquiry in 2008. Staff stated that all
9 complaints and inquiries have been resolved and closed. Staff's Consumer Services Section also
10 noted that Mountain Glen has been erroneously assessing a 1.5 percent late payment charge,
11 apparently due to confusion regarding the applicability of the 1.5 percent deferred payment charge.
12 Staff does not recommend any sanctions against Mountain Glen as a result of these erroneous
13 assessments because the assessed charges were minimal, and Staff would have recommended a late
14 payment charge in Mountain Glen's last rate case, had Mountain Glen requested one. Staff does
15 recommend, however, that Mountain Glen be put on notice that it is allowed to assess charges only
16 for items included on its Commission-authorized tariff.

17 35. According to the Staff Report, ADEQ has reported that all four of Mountain Glen's
18 systems are now in full compliance with ADEQ requirements and are currently delivering water that
19 meets the water quality standards required by 18 A.A.C. 4.

20 36. Mountain Glen is not located within an Active Management Area and thus is not
21 subject to Arizona Department of Water Resources ("ADWR") monitoring and reporting
22 requirements for groundwater withdrawals.

23 37. Mountain Glen has a certificate of good standing from the Arizona Department of
24 Revenue, dated June 20, 2008.

25 38. Staff has confirmed through the Navajo County Treasurer's website that Mountain
26 Glen was current on its property taxes as of November 3, 2008.

27 39. Mountain Glen has an approved Curtailment Plan Tariff on file with the Commission.

28 40. Staff has reviewed the Cross-Connection/Backflow Tariff filed by Mountain Glen on

1 August 27, 2008, and recommends that it be approved. Staff's recommendation is reasonable and
2 should be adopted.

3 41. Mountain Glen is in good standing with the Commission's Corporations Division.

4 42. Because an allowance for property tax expense is included in Mountain Glen's rates
5 and will be collected from its customers, the Commission seeks assurances from Mountain Glen that
6 any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has
7 come to the Commission's attention that a number of water companies have been unwilling or unable
8 to fulfill their obligation to pay the taxes that were collected from ratepayers, some for as many as 20
9 years. It is reasonable, therefore, that as a preventive measure Mountain Glen shall annually file, as
10 part of its annual report, an affidavit with the Utilities Division attesting that Mountain Glen is current
11 in paying its property taxes in Arizona.

12 43. Staff's recommendations in Findings of Fact Nos. 29, 34, and 40 are reasonable and
13 should be adopted.

14 CONCLUSIONS OF LAW

15 44. Mountain Glen is a public service corporation within the meaning of Article XV of the
16 Arizona Constitution and A.R.S. §§ 40-250, 40-251, and 40-256.

17 45. The Commission has jurisdiction over Mountain Glen and the subject matter of the
18 application.

19 46. Notice of the application was given in accordance with the law.

20 47. The rates and charges authorized herein are just and reasonable and should be
21 approved without a hearing.

22 48. Staff's recommendations set forth in Findings of Fact Nos. 29, 34, and 40 are
23 reasonable and should be adopted.

24 ORDER

25 IT IS THEREFORE ORDERED that Mountain Glen Water Service, Inc. is hereby directed to
26 file with Docket Control, as a compliance item in this docket, on or before May 1, 2009, revised rate
27 schedules setting forth the following rates and charges:

28 ...

MONTHLY USAGE CHARGE

5/8" x 3/4" Meter	\$ 21.65
3/4" Meter	32.48
1" Meter	54.13
1 1/2" Meter	108.24
2" Meter	173.19
3" Meter	346.40
4" Meter	541.25
6" Meter	1,082.44

Commodity Rates (Per 1,000 Gallons)**All Meter Sizes**

Up to 5,000 Gallons	\$2.88
5,001 to 20,000 Gallons	3.52
Over 20,000 Gallons	4.06

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable pursuant to A.A.C. R14-2-405)

	<u>Service Line Charge</u>	<u>Meter Installation</u>	<u>Total</u>
5/8" x 3/4" Meter	\$ 430.00	\$ 130.00	\$ 560.00
3/4" Meter	430.00	230.00	660.00
1" Meter	480.00	290.00	770.00
1 1/2" Meter	535.00	500.00	1,035.00
2" Turbine Meter	815.00	1,020.00	1,835.00
2" Compound Meter	815.00	1,865.00	2,680.00
3" Turbine Meter	1,030.00	1,645.00	2,675.00
3" Compound Meter	1,150.00	2,520.00	3,670.00
4" Turbine Meter	1,460.00	2,620.00	4,080.00
4" Compound Meter	1,640.00	3,595.00	5,235.00
6" Turbine Meter	2,180.00	4,975.00	7,155.00
6" Compound Meter	2,300.00	6,870.00	9,170.00

SERVICE CHARGES

Establishment	\$35.00
Establishment (After Hours)	45.00
Reconnection (Delinquent)	40.00
Reconnection (Delinquent) After Hours	50.00
Meter Test (If Correct)	40.00
Deposit	*
Deposit Interest	*
Reestablishment (Within 12 Months)	**
NSF Check	\$25.00
Deferred Payment (Per Month)	1.50%
Meter Re-Read (If Correct)	\$20.00

Late Payment (Per Month)	1.50%
Main Extension	Cost

* Per Commission rule (R-14-2-403(B)).

** Months off system times the monthly minimum (R14-2-403(D)).

IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service provided on and after May 1, 2009.

IT IS FURTHER ORDERED that Mountain Glen Water Service, Inc. shall notify its customers of the rates and charges authorized hereinabove and their effective date in a form acceptable to the Commission's Utilities Division Staff, by means of an insert in its next regular scheduled billing.

IT IS FURTHER ORDERED that, in addition to collecting its regular rates and charges, Mountain Glen Water Service, Inc. shall collect from its customers a proportionate share of any privilege, sales, or use tax per A.A.C. R14-2-409(D)(5).

IT IS FURTHER ORDERED that Mountain Glen Water Service, Inc. shall, on a going-forward basis, use the depreciation rates by individual National Association of Regulatory Utility Commissioners category set forth in Table B of the Engineering Report portion of the Staff Report filed in this matter.

IT IS FURTHER ORDERED that Mountain Glen Water Service, Inc. shall, within one year after the effective date of this Decision, replace the 7,500 gallon storage tank currently in use for its Clay Springs system with a storage tank that has a minimum storage capacity of 10,000 gallons.

IT IS FURTHER ORDERED that Mountain Glen Water Service, Inc. shall, within 18 months after the effective date of this Decision, file with the Commission's Docket Control, as a compliance item in this docket, a copy of the Approval of Construction issued by the Arizona Department of Environmental Quality for the new Clay Springs storage tank.

IT IS FURTHER ORDERED that Mountain Glen Water Service, Inc. shall, within one year after the effective date of this Decision, replace the 2,500 gallon storage tank currently in use for its Pinedale water system with a storage tank that has a minimum storage capacity of 5,000 gallons.

IT IS FURTHER ORDERED THAT Mountain Glen Water Service, Inc. shall, within 18 months after the effective date of this Decision, file with the Commission's Docket Control, as a

compliance item in this docket, a copy of the Approval of Construction issued by the Arizona Department of Environmental Quality for the new Pinedale storage tank.

IT IS FURTHER ORDERED that Mountain Glen Water Service, Inc. shall ensure that it charges its customers only for items included on its Commission-authorized tariff and that Mountain Glen Water Service, Inc. is hereby put on notice that it could be subjected to penalties if it does otherwise.

IT IS FURTHER ORDERED that Mountain Glen Water Service, Inc.'s Cross-Connection/Backflow Tariff filed on August 27, 2008, is hereby approved.

IT IS FURTHER ORDERED that Mountain Glen Water Service, Inc. shall annually file, as part of its annual report, an affidavit with the Utilities Division attesting that it is current on paying its property taxes in Arizona.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, MICHAEL P. KEARNS, Interim Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this ____ day of _____, 2009.

MICHAEL P. KEARNS
INTERIM EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

1 SERVICE LIST FOR: MOUNTAIN GLEN WATER SERVICE, INC.

2 DOCKET NO.: W-03875A-08-0421

3
4 Alice Ferrell, Vice President
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6 Sonn S. Rowell, CPA
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11 Ernest G. Johnson, Director
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